1976

AQUITAINE

COMPANY OF CANADA LTD.

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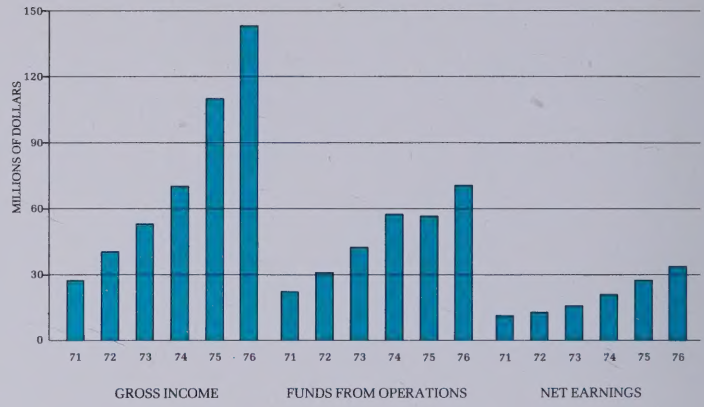


COMPARATIVE HIGHLIGHTS

Financial (in thousands, except per share amounts)

	1976	1975	% Change
Sales and other income	$143,692	$110,107	+ 31
Net earnings	34,061	27,876	+ 22
Per share	$1.62	$1.35	+ 20
Income taxes and royalties to governments	96,115	60,993	+ 58
Per share	$4.57	$2.96	+ 55
Funds from operations	69,765	57,018	+ 22
Per share	$3.32	$2.76	+ 20
Capital expenditures			
Oil, gas and mining	34,298	39,860	− 14
Coal	17,233	8,430	+ 104
Working capital	24,880	6,757	+ 268

Operations

	1976	1975	% Change
Production (net after royalties)			
Oil and gas liquids			
Barrels per day	18,192	19,844	− 8
Gas			
Mcf per day	124,681	149,710	− 17
Sulphur			
Annual — long tons	982,994	878,931	+ 12
Coal			
Annual — short tons	1,376,118	998,088	+ 38
Acreage holdings (thousands of acres)			
Gross	80,708	60,664	+ 33
Net	36,259	20,624	+ 76
Gross reserves			
Oil and gas liquids - millions of barrels	142	153	− 7
Gas - billions of cubic feet	712	823	− 13
Sulphur - millions of long tons	13	13	−
Coal - millions of short tons	57	57	−

PRESIDENT'S MESSAGE

The Company achieved satisfactory financial results in 1976, and in addition took several corporate housekeeping measures designed to simplify or reduce the less profitable sectors of the Company's operation.

Our earnings benefited primarily from improved prices for our oil and gas production in Alberta. Coal prices, however, remained soft. Sulphur, which the Company produces as a by-product of gas processing, has historically suffered from erratic market cycles, and it is currently in a rather depressed phase. Coal and sulphur have therefore made only modest contributions to the Company's income.

During the year Aquitaine acquired an affiliated company, Elf Oil Exploration and Production Canada Ltd. whose extensive holdings in northern Canada complement those of the Company. Aquitaine Pennsylvania, the Company's coal subsidiary, disposed of its oil, gas and pipeline assets, which have contributed little in terms of profit and could not be conveniently integrated into Aquitaine's larger oil and gas activities.

Aquitaine's gas producing properties at Beacon Hill were sold to the Saskatchewan government power corporation, to whom the Beacon Hill gas production had previously been sold under contract. The uncertain prospects for suitable price escalation made such a sale appear advantageous. The Company feels that the negotiated sale price of the properties, based on $18 million at mid-year, was fair to both parties.

In early 1977 the Company settled a dispute involving its contract for the sale of gas from Ram River. Under "take or pay" provisions of the contract the purchaser had made certain payments in respect of a quantity of gas which the purchaser did not take in the early stages of the contract. The Company contended that it should receive the current market price at the time of eventual delivery. The purchaser contended that such gas had been paid for. The settlement essentially confirms the position taken on this point by the Company but by way of compromise the Company agreed to grant to the gas purchaser a first right to buy on competitive terms certain of the Company's future gas production. Your directors consider the settlement to be a reasonable solution to a complex problem of considerable cash importance to the Company.

With the improvement in gas prices and the continuation of the Alberta government's drilling incentive program a small, and probably short-term, surplus of gas has been built up in the province. The Company's Stolberg and Blue Sky gas discoveries may be considered evidence of the effectiveness of these incentives.

In sharp contrast to the encouragement given to exploration in Alberta, political problems regarding federal permits have made exploration planning particularly difficult for the Labrador Sea and northern Canada. Claims made by the Newfoundland government relating to jurisdiction, and, consequently, to economic control over the development of Labrador offshore resources, have not been resolved. We have confidence that the two levels of government will achieve a workable accommodation, as happened in the earlier revenue-sharing struggle between the federal and western provincial governments, but in the meantime work offshore Labrador remains essentially suspended.

Similar delays have been forced upon the Company in northern Canada where land-use applications by the Company and other operators have been rejected with such growing frequency that planning has become quite uncertain. We expect that the environmental and sociological concerns rightly felt by the government will eventually be defined and localized, and that orderly exploration will resume. Current operations, however, are disrupted in these areas.

Jacques Payan
President

ARCTIC, YUKON, NORTHWEST TERRITORIES AND ALASKA

Frontier Policy

With the escalation of exploration costs in the Arctic and offshore frontier areas, and the certainty of enormous development costs when commercial discoveries are made, the Company is evolving a policy of limiting its working interest in the later stages of exploration in these areas. The Company intends to make full use of its experienced exploration and operations team to search for and identify drillable structures, but it will invite the participation of others, through joint ventures and farm-outs, in the mature phases of frontier activity.

Alberta

Exploration emphasis in Alberta continues to be directed toward foothills and deep basin prospects. An active program of seismic acquisition is being pursued in these areas. Early in 1976, a deep test drilled by the Company in the Stolberg area established a southeasterly extension of natural gas discoveries which had been made by other companies. The Stolberg well was located on farm-in acreage which, together with subsequently purchased leases, gives the Company a 40% interest in 4,800 gross acres in the prospect. A follow up well reached total depth late in 1976 and established additional reserves. A third well is currently being drilled.

At Strachan the Company has recently drilled a potential Cardium oil well on a prospect which warrants further evaluation. At a depth of 9,500 feet the Cardium objective is relatively shallow for this foothills region. Deep test wells are planned for both the Pembina and Strachan areas for early 1977.

In the plains area of Alberta the Company is encouraged by a multi-well drilling program on the Gold Creek gas prospect in which Aquitaine's interest approximates 9%. Several wells are also planned on shallow gas prospects at Rainbow and Innisfail. Commencement of drilling may be delayed because of short term oversupply.

British Columbia

With the return of more favourable provincial government natural resource policies, the Company is preparing to resume seismic evaluation and exploration drilling.

Two exploratory wells are planned for the Poplar area to test seismic interpretations which indicate a possible southerly extension of the shallow gas reserves found in the Maxhamish area in 1973 - 74.

Arctic and Northwest Territories

In the Beaufort Sea the Company has pooled its acreage in the Hutchison Block with other operators, and has granted a farmout under which an extremely expensive

ALBERTA -
BRITISH COLUMBIA

drilling program is being carried out at no cost to the Company. The first well on the pooled acreage, Tingmiark K-91, was spudded on August 11, 1976 and reached a depth of 10,010 feet. Hole problems and the approaching end of the drilling season prevented full evaluation of the well and it was temporarily plugged in October. The Company's 39.65% interest in the 348,000 acre block of pooled permits will be reduced to 25.77% after the two initial earning wells are completed. The percentage may ultimately become 19.82% if and when the farmee has exercised all drilling options. The Company holds a 30% interest in permits totalling 611,000 acres immediately west of the pooled lands.

Arctic Islands

In the Arctic Islands a seismic program has been carried out to evaluate a 931,000 acre block of offshore permits in Hazen Strait in which the Company has a 25% interest. Additional seismic is planned for early 1977. The acreage is located 16 miles north of the Hecla gas field being outlined by Panarctic Oils Ltd. on and offshore from Melville Island.

Under a farmout agreement a well was drilled on Company acreage on northern Banks Island. The well, Panarctic Elf Bar Harbour E-76, was abandoned in January 1976 without encouragement.

Labrador Sea

The Labrador offshore exploration group, in which the Company has a 13⅓ % interest, re-entered the Snorri J-90 well during the 1976 drilling season. A sand below 8,200 feet yielded 9.8 million cubic feet of gas per day on drillstem test and 235 barrels per day of condensate. Karlsefni H-13, which had been suspended at 10,774 feet in 1975, was deepened to 13,406 feet and then abandoned. Of the new wells drilled in 1976, Cabot G-91 had to be abandoned for technical reasons at 951 feet and Herjolf M-92 was abandoned as a dry hole at 13,406 feet. Verrazano L-77, a test well in the southern part of the acreage was suspended at 1,509 feet when the rig contract terminated.

The Group has now completed a total of eight wells on the Labrador Shelf of which three, Gudrid, Bjarni and Snorri have discovered natural gas, with Snorri also testing condensate. The size of these reservoirs has not been established, and commercial volumes have not been demonstrated.

Seismic exploration continued in 1976 and new information and interpretations have located several new structures and better defined others previously identified. In addition 12,000 kilometres of aeromagnetic reconnaissance was flown off the Labrador Coast.

OFFSHORE LABRADOR
OFFSHORE GREENLAND

Farther north at Frobisher Bay and Cumberland Sound, the Company has formed the Baffin-Labrador Group. Aquitaine is the operator for the group, which will explore 3.6 million acres originally held 100% by the Company. Previous seismic programs had revealed several large structures and these were further defined in 1976. The Company will bear a 10% share of cost until the Group has drilled two wells, whereupon the Company's working interest will be 46%.

On the southern Labrador Shelf, a seismic program was completed in 1976 on 916,000 acres in which the Company holds a 50% interest. The results are being evaluated.

Offshore Greenland

The first well ever drilled offshore Greenland, Kangamiut No. 1, was abandoned at 12,750 feet. The well was drilled by the TGA-Grepco Group in which the Company has a 29.2% working interest. The Group holds 1.3 million acres under concessions covering three separate areas offshore western Greenland. Seismic exploration and environmental studies will continue in 1977 with drilling expected to resume in 1978.

United States

Exploration of the 4.3 million acres of Burlington Northern lands continued in 1976 but at a slower pace than before. The Company's wholly - owned U.S. subsidiary, Al-Aquitaine Exploration Ltd., participated in 13 tests, resulting in two completed oil wells. It retained a royalty interest in 17 additional tests, five of which were completed as oil wells. The exploratory agreement with Burlington Northern has been extended through 1977 and the acreage reduced to three million acres. Aquitaine's working interest in the Burlington Northern play is 25%.

Al-Aquitaine et al Patrikus #1, on the County Line prospect in North Dakota, has been suspended following disappointing production tests. Further drilling in this area by other parties is anticipated in 1977.

Two tests were drilled and abandoned on the 550,000 acres of leases held by the Skelly-Chorney-Al-Aquitaine Group in the North Powder River Basin.

Al-Aquitaine agreed to take a 40% interest in the McCabe Joint Venture, which will explore approximately 150,000 acres of leases in Roosevelt and Richland Counties, Montana. Preliminary exploration has commenced and two tests have been drilled. One of these tests, True Consolidated 42-20, in which the Company will have a 9.9% working interest after payout, resulted in a multi-zone oil discovery.

On the Alaska North Slope, two leases at Point Thomson comprising 5,120 acres, in which the Company has a 20% interest, have been included in a drilling unit. Exxon has been granted an option to drill on this unit after it completes a test on the adjoining unit early in 1977.

At the Outer Continental Shelf lease sale in April, 1976 Al-Aquitaine was successful in acquiring an 8% interest in a 5,693 acre lease on one of the major structures in the Gulf of Alaska. A well on this lease is planned for the first half of 1977.

The Company is continuing its evaluation of other Alaskan offshore areas, although further OCS lease sales may be delayed until 1978.

Geothermal Exploration

Heat flow studies in Nevada and Oregon have given some encouragement, and further geological and geophysical studies will be undertaken on selected leases in 1977 with a view to isolating drilling targets.

MINING EXPLORATION

In 1976, the Company's mining exploration for base metals was oriented more towards definite prospects than to grass roots prospecting.

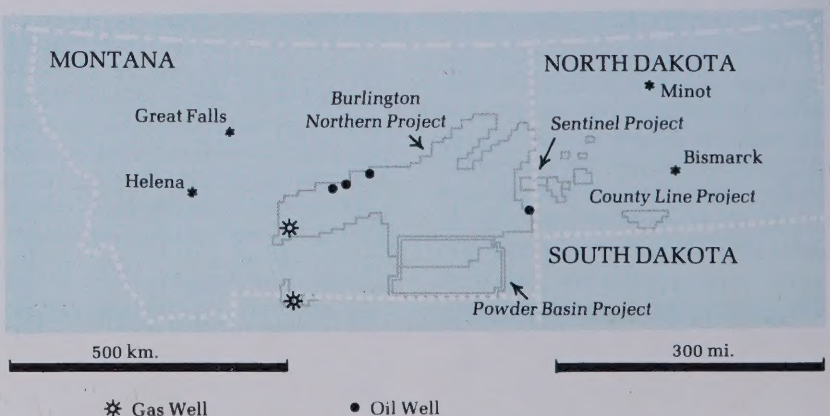
In Nova Scotia, drilling of a disseminated-copper property near Sydney showed new mineralization not previously known, but of insufficient tonnage to justify a mining operation.

In northwestern Maine, detailed surveys and drilling are underway to test copper-zinc targets in Appalachian volcanics.

Zinc-lead properties were drill tested in paleozoic carbonates of the Rockies Front Range but failed to demonstrate economic mineralization. More work is underway in the shale basins west of the Front Range.

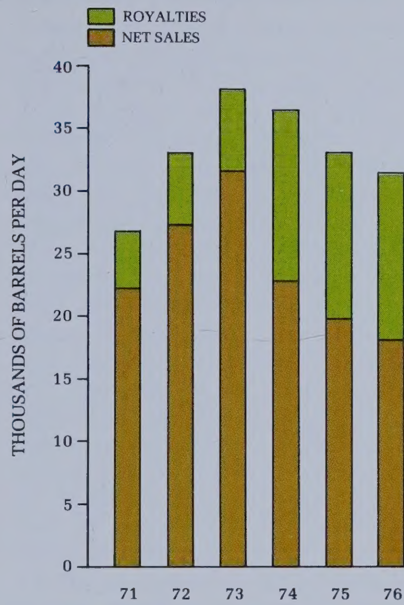
Drilling to copper-zinc objectives on the Company's extensive holdings of Archean volcanics in South Keewatin was postponed until 1977, when a substantial joint venture program is scheduled. Several projects, mainly searching for massive sulphide occurrences are planned for 1977.

The Company increased its coast-to-coast uranium program and was involved in all exploration stages from reconnaissance to drilling. In 1977 the Company plans to evaluate these possibilities and to continue to explore actively in new areas.



MONTANA AND NORTH DAKOTA

OIL AND GAS LIQUIDS SALES



PRODUCTION

CRUDE OIL

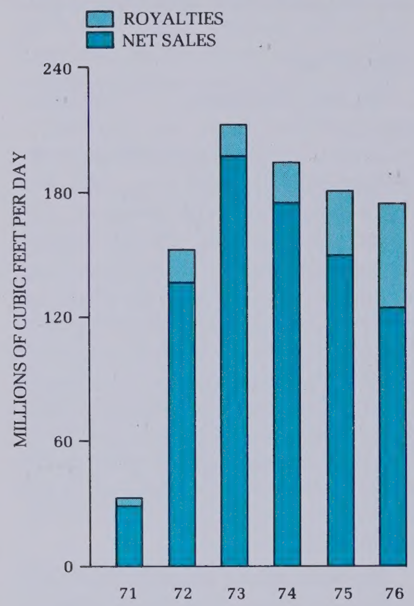
Market Conditions — Canadian demand for crude oil showed a gradual recovery throughout 1976, following a decline during 1975. The 1976 growth was not, however, sufficient to offset the tighter restrictions placed by the Canadian government on exports of crude oil to the United States. The oil export quota was reduced at the beginning of 1976 from 700,000 barrels daily to 510,000 with further reductions to 385,000 in July 1976 and 305,000 at year end. Total Canadian and U.S. markets for Canadian crude averaged 1,472,700 barrels per day in 1976, down 16.5% from 1975.

Production and Sales — The Company's average daily gross sales of crude oil and natural gas liquids, before royalties, amounted to 31,498 barrels in 1976, down 5% from 33,025 barrels in 1975. Average daily net sales, after royalties, were 18,192, down by 8% from 19,844 in 1975.

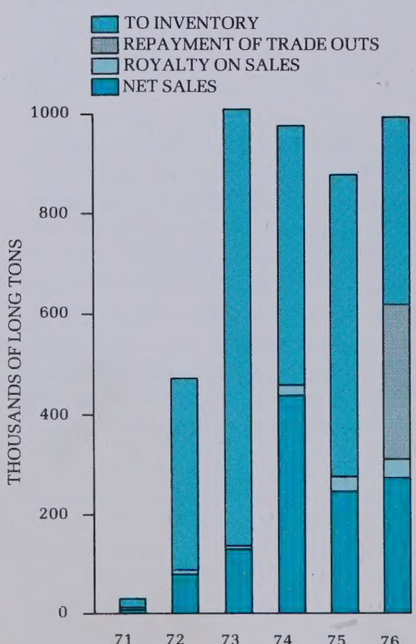
Development — Five infill development wells were successfully drilled in the Rainbow field to maintain deliverability. Two of these were in the Tehze pool and one in each of the South Keg River A pool, South Keg River E pool and Keg River A pool.

Natural gas liquids which for the past several years have been removed from the crude oil and used in miscible flood schemes in some of the Rainbow pools, are no longer needed for that purpose and so are now available for market. Facilities were added to the Rainbow plant to blend a portion of the available natural gas liquids with the crude oil. Due to the resulting higher gravity of the crude oil stream, an additional 3¢ per barrel for Rainbow crude has been received since May, 1976.

NATURAL GAS SALES



SULPHUR PRODUCTION



NATURAL GAS

Estimates of Alberta's natural gas reserves made by the government and industry during the last year, based upon new discoveries, field history, and latest reservoir data, have resulted in upward revisions. Currently there are natural gas reserves not covered by sales contracts, and the major purchaser, TransCanada PipeLines Ltd., will not enter into new gas contracts involving delivery before 1978, or in some cases, 1979. The Company intends to defer plans for immediate development of its shallow, low pressure gas reserves in the Bluesky formation in the Rainbow area, but is proceeding with feasibility studies with respect to development of the gas reserves established by two wells drilled by the Company in the Stolberg area. Initial plans call for commencement of production of Stolberg gas by November 1978.

Ram River

The Company's production of sales gas from the Ram River plant before royalties averaged 146.4 million cubic feet per day in 1976, an increase of 4% over 1975. Net production after royalties averaged 100.8 million cubic feet per day, down 14% from last year. The improvement in gross production occurred for three reasons: turnaround time for plant maintenance was minimized, mechanical problems which had occured in the plant during 1975 were solved, and compression facilities for the Strachan field were completed and operational in July 1976 thus improving that field's deliverability by approximately ten percent. Net production was down because of higher provincial royalties.

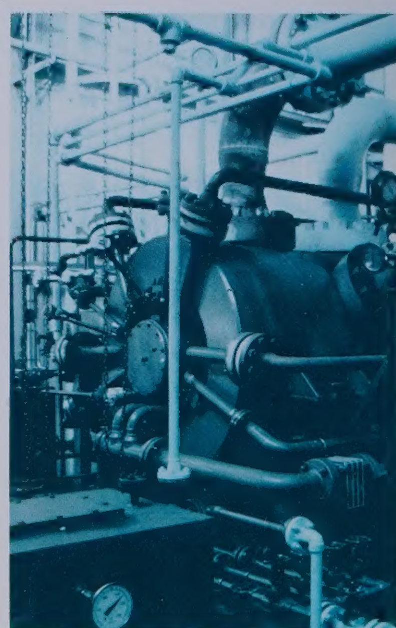
In July an agreement was made to process gas for another producer, utilizing a portion of the Company's share of the Ram River plant. Under the arrangement the Company processes up to 20 million cubic feet daily of Ricinus West gas in return for a fee equal to approximately two-thirds of the value of the processed gas and condensate. Revenue to the Company from this and a somewhat similar earlier agreement amounted to \$2.6 million in 1976.

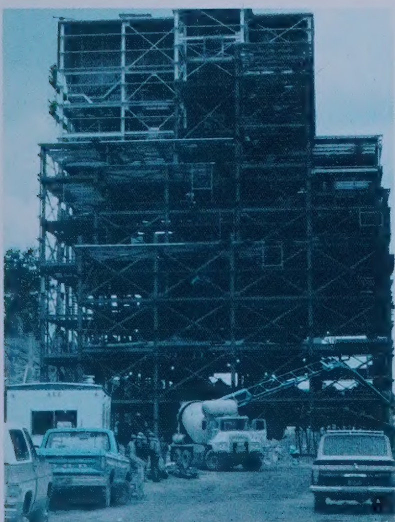
Beacon Hill

The Company's interest in the Beacon Hill gas field in Saskatchewan was sold to Saskatchewan Power Corporation as at mid 1976 for a cash price of approximately \$18 million subject to various adjustments. Provision was made for additional consideration to be paid to the Company in the event of an increase in 1977 field prices before December 10, 1977.

Sulphur

Sulphur shipments to the export market from the Ram River plant began early in the year, thus ending the need to trade out with other producers. The export sales continue to be made through Cansulex Limited, a sulphur exporting company of which Aquitaine is a producer-member. The Company's sulphur sales during the year amounted to 310,000 long tons. An additional 150,000 long tons were delivered to repay other companies for sulphur shipped by them for the account of Aquitaine under past trade-out agreements.





COAL

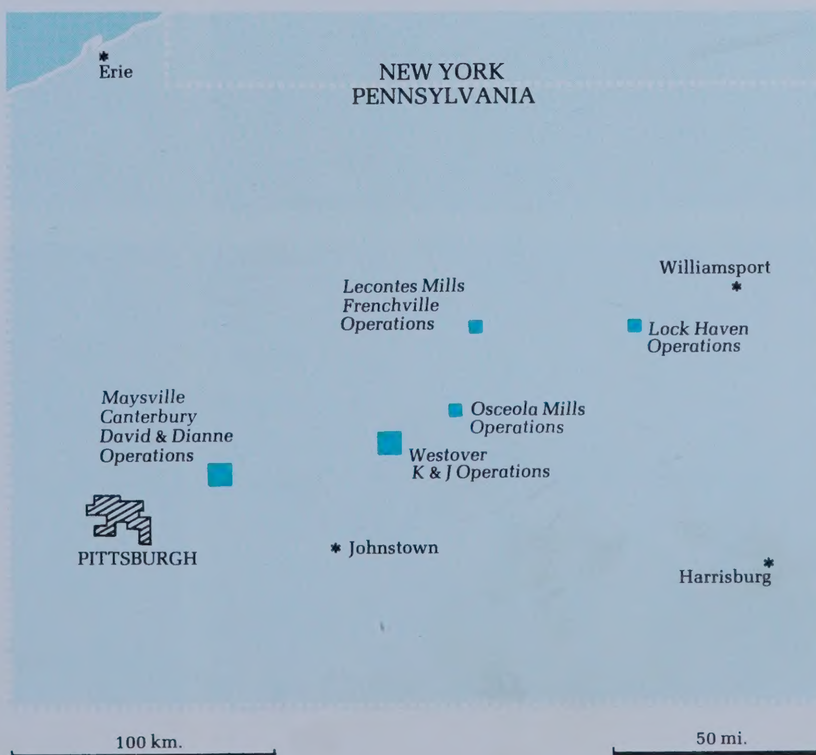
The resurgence in the U.S. economy, forecast for 1976, failed to materialize to the degree anticipated. Demand and resulting prices for both metallurgical and steam coals were generally soft. Short term prices at the beginning of the year were in the order of $35 (U.S.) per ton for the Company's metallurgical coal and $20 (U.S.) per ton for its steam coal. Metallurgical coal prices generally declined during the year, although prices for the Company's product held reasonably steady because of offsetting improvements in quality.

Production costs increased nearly 14% but unit costs per ton of production remained unchanged.

Total coal sales for the Company's wholly owned subsidiary Aquitaine Pennsylvania Inc. in 1976 were 1.4 million tons, up 13% from 1975, based on a full year's production. Growth in metallurgical coal production was made possible by the installation of new equipment in the existing preparation plant at Canterbury. A further expansion of the plant will commence in 1977 to accompany the opening of a second deep mine presently under development on the same properties.

During 1976, a large electric shovel was put into use on the Westover properties and a second is due in the first half of 1977. These shovels, together with an electric dragline to be delivered in the first half of 1978, will deliver increased production for the new Westover preparation plant scheduled for completion in 1977. Significant additions of metallurgical coal to the current production of steam coal are expected from Westover in the early fall of 1977.

Consistent with the intention of Aquitaine Pennsylvania to concentrate its effort on the production of coal, its head office was moved from New York to Pittsburgh.



WESTERN PENNSYLVANIA

RESERVES

The Company's remaining proven reserves of oil and natural gas liquids, natural gas, and sulphur were reduced in 1976 by production and additionally, in respect of gas, by the disposition of Aquitaine's interest in the Beacon Hill gas field. The Stolberg gas discovery and the addition of Bluesky gas reserves in the Rainbow area did not fully compensate for the gas produced during the year. The reserves figures shown at right are estimates of gross proven reserves, before allowances for royalties, as calculated by the Company's geological and engineering staff. Proven reserves are defined for this purpose as those reserves which geological and engineering data demonstrate with reasonable certainty may be recovered for sale in future years from known reservoirs under presently existing conditions and using presently existing operating facilities and procedures. No allowance has been made for probable additional reserves which may be recoverable by more efficient production mechanisms or improved economic conditions.

	1976	1975
Oil and Natural Gas Liquids (Millions of Stock Tank Barrels)	142	153
Natural Gas (Billions of Standard Cubic Feet)	712	823
Sulphur (Millions of Long tons)	13	13
Coal (Millions of Short tons)	57	57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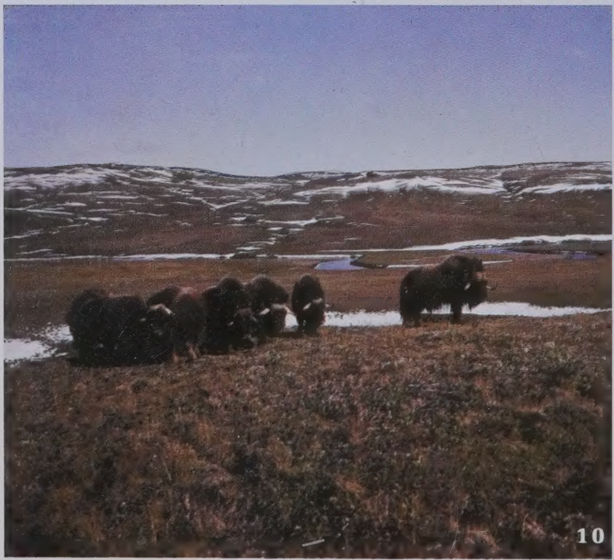
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SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company follows the generally accepted accounting policies in Canada set out below, which are also in conformity in all material respects to accounting policies generally accepted in the United States. These policies, together with the following notes, should be considered an integral part of the consolidated financial statements.

PRINCIPLES OF CONSOLIDATION

The consolidated financial statements include the accounts of Aquitaine Company of Canada Ltd. and its subsidiaries, all of which are wholly owned and collectively referred to hereafter as "the Company".

The Company's investment in Rainbow Pipe Line Company Ltd., representing 33⅓% of the issued capital, is accounted for by the equity method.

FOREIGN EXCHANGE

The accounts of the Company's foreign subsidiaries have been converted to Canadian currency on the following bases:

(i) current assets, current liabilities and long term debt at the exchange rate on December 31;

(ii) other assets, deferred income, income and expenses at the exchange rate in effect on the date of the transaction;

(iii) accumulated depletion, depreciation, amortization and deferred income taxes and current provisions against earnings on the basis of the converted value of the related assets.

Gains or losses on conversion are included in determining net earnings for the year in which the rates alter.

PROPERTY, PLANT AND EQUIPMENT

The Company follows the full cost method of accounting for oil and gas properties. Separate cost centers have been established for continental North America and foreign jurisdictions, the latter generally on a country by country basis. Under this concept all costs, including a portion of administrative expenses, relating to the exploration for and development of oil and gas reserves are capitalized. Depletion of such costs is provided for by the unit of production method based on each cost center's total estimated recoverable reserves of oil and gas.

The costs of exploration and development of coal properties are capitalized with depletion being provided for by the unit of production method based on the estimated recoverable reserves of coal.

Costs related to mining properties including a portion of administrative expenses are capitalized when acquired or undertaken. A regular charge is made to earnings for amortization of undeveloped mining properties. When the properties are abandoned their cost is charged against the accumulated amortization and any excess of abandonments over the accumulated amortization is charged as additional amortization against current year's earnings.

Depreciation of oil and gas plant and equipment is provided for by the unit of production method. Depreciation of coal plant and equipment, and other assets is provided for by the straight-line method at rates from 4% to 30%, based on the estimated service life of each group of assets.

Upon disposal of oil and gas properties, plant and equipment, the proceeds and applicable accumulated depletion and depreciation are normally applied to reduce the cost of the remaining assets without recognition of gain or loss. In the case of coal properties, plant and equipment, and other assets, the difference between the proceeds and net book value is charged or credited to earnings.

Maintenance and repairs are charged against earnings, and renewals and betterments which extend the economic life of the properties, plant and equipment are capitalized.

INCOME TAXES

The Company accounts for income taxes on a tax allocation basis for all significant timing differences.

CONSOLIDATED STATEMENT OF NET EARNINGS

For the years ended December 31, 1976 and 1975

	1976	1975
	(thousands)	
INCOME		
Sales		
Oil, gas, liquid products and sulphur after deduction of royalties (1976 - $59,278; 1975 - $40,816)	$109,146	$ 83,286
Coal	30,185	22,459
	139,331	105,745
Equity in earnings of Rainbow Pipe Line Company Ltd.	1,918	1,767
Interest and other income	2,443	2,595
	143,692	110,107
EXPENSES		
Operating expenses		
Oil, gas, liquid products and sulphur	11,757	9,990
Coal	21,862	16,607
	33,619	26,597
Administrative	8,400	6,326
Interest	4,305	3,865
Research	944	1,039
Other	281	622
	47,549	38,449
EARNINGS BEFORE THE FOLLOWING DEDUCTIONS	96,143	71,658
Depletion	15,307	14,737
Depreciation	8,098	8,182
Amortization of mining properties	1,840	686
	25,245	23,605
EARNINGS BEFORE INCOME TAXES	70,898	48,053
Income taxes (Note 4)		
Current	26,879	14,640
Deferred	9,958	5,537
	36,837	20,177
NET EARNINGS	$ 34,061	$ 27,876
NET EARNINGS PER SHARE (based on average number of shares outstanding during the year)	$1.62	$1.35

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

For the years ended December 31, 1976 and 1975

	1976	1975
	(thousands)	
Balance at beginning of year	$100,438	$ 78,750
Net earnings	34,061	27,876
Dividend (30¢ per share)	(6,188)	(6,188)
Balance at end of year	$128,311	$100,438

CONSOLIDATED BALANCE SHEET

As at December 31, 1976 and 1975

Assets

	1976	1975
	(thousands)	
CURRENT ASSETS		
Cash	$ 305	$ 489
Short term investments	27,123	5,987
Accounts receivable	25,013	25,880
Inventories of materials, supplies and coal at lower of cost or replacement cost	5,342	3,350
Prepaid expenses	650	1,210
	58,433	36,916
INVESTMENTS AND OTHER ASSETS		
Rainbow Pipe Line Company Ltd.	2,732	2,581
Other at lower of cost or realizable value	4,495	1,040
	7,227	3,621
PROPERTY, PLANT AND EQUIPMENT (Note 2)	342,483	326,507
	$408,143	$367,044

Liabilities

	1976	1975
CURRENT LIABILITIES		
Accounts payable and accrued liabilities	$ 19,070	$ 17,784
Due to parent company — Société Nationale Elf Aquitaine	660	821
Income taxes payable	10,725	11,428
Current portion of long term debt	3,098	126
	33,553	30,159
DEFERRED INCOME (Note 3)		
Deferred production income	—	1,449
Prepayments of future gas and sulphur deliveries and take-or-pay	—	13,403
	—	14,852
DEFERRED INCOME TAXES (Note 4)	64,578	54,620
LONG TERM DEBT (less current portion) (Note 5)	50,113	56,312
	148,244	155,943

Shareholders' Equity

	1976	1975
CAPITAL STOCK		
Authorized — 23,000,000 shares without nominal or par value		
Issued — 1976 - 21,557,798 shares; 1975 - 20,627,798 shares (Note 1)	131,588	110,663
RETAINED EARNINGS (Note 6)	128,311	100,438
	259,899	211,101
COMMITMENTS AND CONTINGENCIES (Note 6)		
	$408,143	$367,044

Signed on behalf of the Board

Director Director

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

For the years ended December 31, 1976 and 1975

	1976	1975
	(thousands)	
SOURCE OF FUNDS		
From operations		
Net earnings	$ 34,061	$ 27,876
Add depletion, depreciation, amortization, deferred income taxes and other items not requiring an outlay of working capital	35,704	29,142
	69,765	57,018
Long term debt	11,803	53,695
Issue of shares	20,925	—
Deferred production income	55	349
Prior year's provincial income tax credits	—	3,207
Disposals of properties, plant and equipment and other assets	22,332	2,987
	124,880	117,256
APPLICATION OF FUNDS		
Capital expenditures		
Oil and gas		
Properties	30,819	28,478
Plant and equipment	2,249	9,565
Coal		
Properties	3,508	2,807
Plant and equipment	13,725	5,623
Mining properties	1,230	1,817
Work in progress	—	(2,563)
	51,531	45,727
Acquisition of Elf Oil Exploration and Production Canada Ltd., less $4,378 working capital at date of acquisition	16,690	—
Acquisition of Westrans Industries, Inc., less $7,267 working capital at date of acquisition	—	60,646
Reduction in long term debt	18,003	7,074
Reduction in deferred production income	942	1,472
Reduction in prepayment of future gas and sulphur deliveries and take-or-pay	13,403	8,081
Dividend	6,188	6,188
	106,757	129,188
INCREASE (DECREASE) IN WORKING CAPITAL	$ 18,123	$ (11,932)
CHANGES IN ELEMENTS OF WORKING CAPITAL		
Increase (decrease) in current assets		
Cash	$ (184)	$ 374
Short term investments	21,136	(6,843)
Accounts receivable	(867)	9,296
Inventories	1,992	2,234
Prepaid expenses	(560)	865
	21,517	5,926
Increase (decrease) in current liabilities		
Accounts payable and accrued liabilities	1,286	6,695
Due to parent company	(161)	(362)
Income taxes payable	(703)	11,428
Current portion of long term debt	2,972	97
	3,394	17,858
Increase (decrease) in working capital	18,123	(11,932)
Working capital at beginning of year	6,757	18,689
Working capital at end of year	$ 24,880	$ 6,757

NOTES TO FINANCIAL STATEMENTS

December 31, 1976 and 1975

1. ACQUISITIONS

On July 30, 1976, all of the outstanding shares of Elf Oil Exploration and Production Canada Ltd. (Elf) together with an account payable by that company to its parent of $14,107,000 were acquired in exchange for 930,000 shares of the Company valued at $20,925,000. Expenses related to the acquisition amounted to $143,000. Elf, at date of acquisition, held some 19 million net acres of oil and gas exploration rights, primarily in the frontier areas of Canada, minor oil production in Alberta, and working capital of $4,378,000. The acquisition has been accounted for as a purchase and the accounts have been consolidated with those of the Company since acquisition. The excess of the net book value at acquisition over the consideration paid, $39,343,000, has been deducted from the carrying value of oil and gas properties acquired and the remaining costs are being amortized by the unit of production method based on total estimated reserves of oil and gas.

The acquisition cost of Elf of $21,068,000 was represented by the following:

		(thousands)
Current assets		$ 4,466
Properties and equipment		16,714
		21,180
Less		
Current liabilities	$88	
Long term debt	24	112
		$21,068

During March 1975, Aquitaine Pennsylvania, Inc., a wholly owned subsidiary of the Company, acquired Westrans Industries, Inc. (Westrans) for $67,913,000. Westrans was subsequently merged into Aquitaine Pennsylvania, Inc. The merged company is principally engaged in coal mining in Pennsylvania, but also had oil and gas interests and operated a gas pipeline which were subsequently sold. The acquisition has been accounted for as a purchase and the accounts have been consolidated with those of the Company since acquisition. The excess consideration of $42,621,000 paid over the net book value at acquisition has been allocated to coal, oil and gas properties and is being amortized by the unit of production method based on estimated reserves.

The purchase price of Westrans of $67,913,000 was allocated as follows:

		(thousands)
Current assets		$13,110
Investments		606
Property, plant and equipment		
Coal		61,126
Oil and gas		6,521
Other		1,297
		82,660
Less		
Current liabilities	$5,843	
Deferred income	834	
Long term debt	8,070	14,747
		$67,913

The following pro-forma information for Elf assumes that company was acquired January 1, 1975 and includes Westrans since acquisition in March 1975. The information for Westrans assumes that company was acquired January 1, 1975 and includes Elf since acquisition on July 30, 1976.

	Elf		Westrans	
	1976	1975	1976	1975
	(thousands)		(thousands)	
Income	$143,838	$110,606	$143,692	$116,450
Net earnings	33,515	27,105	34,061	29,742
Net earnings per share	$1.55	$1.26	$1.62	$1.44

2. PROPERTY, PLANT AND EQUIPMENT

	1976			1975		
	Asset	Accumulated provisions	Net	Asset	Accumulated provisions	Net
		(thousands)			(thousands)	
Oil and gas	$347,792	$ 98,678	$249,114	$330,604	$ 84,038	$246,566
Coal	86,397	4,347	82,050	69,417	1,777	67,640
Mining	5,342	13	5,329	6,083	155	5,928
Office building	8,753	2,763	5,990	8,753	2,380	6,373
	$448,284	$105,801	$342,483	$414,857	$ 88,350	$326,507

3. DEFERRED INCOME

Under the terms of the Strachan-Ricinus area gas contracts, the Company received interest-free prepayments totalling $31,841,000 which have been accounted for as deferred income and brought into earnings as the products related to such prepayments have been delivered. The balance of such deferred income at December 31, 1975 was $13,058,000 which represented $2,449,000 received as advances to be repaid from the proceeds of future deliveries and $10,609,000 paid with respect to 58,942 mmcf of gas not yet taken. The $2,449,000 has been taken into income in 1976, as it was repaid during the year. The $10,609,000 was the subject of a dispute between the Company and the gas purchaser, which was settled on March 28, 1977. Under the terms of the settlement the purchaser will pay for all gas delivered, including the said 58,942 mmcf, the full market price at the time of delivery less the sum of $12,609,000 which includes the $10,609,000 previously paid. Accordingly, the said $10,609,000 has been taken into income in 1976 and in 1977 the proceeds of sale of gas delivered will be lower to the extent of the remaining $2,000,000. The settlement also provides that the purchaser will have, for a specified time and up to specified limits, the first right to purchase on competitive terms one-half of the Company's future available gas reserves in Alaska and certain areas of Canada.

4. INCOME TAXES

Deferred income taxes result from timing differences in the recognition of income and expense for income tax and financial statement purposes. The sources of these differences and the tax effect of each were as follows:

	1976	1975
	(thousands)	
Capital cost allowance deducted for income tax purposes in excess of depreciation	$ 5,447	$ 2,281
Exploration and development expenditures deducted for income tax purposes in excess of depletion	3,499	2,885
Other	1,012	371
	$ 9,958	$ 5,537

Total income tax expense was $36,837,000 in 1976 and $20,177,000 in 1975, effective rates of 52% and 42% on earnings before income taxes respectively. Such income tax expense varies from the amounts that would be computed by applying the Canadian federal and provincial income tax rates of 47% in 1976 and 39% in 1975 to earnings before income taxes for the following reasons:

	1976		1975	
	Amount	% of pre-tax earnings	Amount	% of pre-tax earnings
	(thousands)		(thousands)	
Computed income tax expense	$33,322	47	$18,741	39
Increase (decrease) in income taxes resulting from:				
Non-deductible royalties, mineral taxes and other expense less federal resource allowance and provincial rebates	7,477	11	10,560	22
Income tax depletion	(3,368)	(5)	(8,493)	(18)
Other	(594)	(1)	(631)	(1)
Income tax expense	$36,837	52	$20,177	42

5. LONG TERM DEBT

	1976	1975
	(thousands)	
Commercial paper issued at an average interest cost of 1976 - 8.7%; 1975 - 9.4% and maturing on varying dates within one year — see 5(a) below	$11,164	$24,407
Bank loans with interest currently at 10½ % — see 5(a) below	—	1,800
Loan from parent company, Société Nationale Elf Aquitaine with interest currently at 1976 - 5.99%; 1975 - 7.14% and payable on demand (1976 - $38,826,000 U.S.; 1975 - $27,000,000 U.S.) — see 5(a) below	39,183	27,488
Amount, together with interest at 4%, payable out of coal production over an estimated six year period from December 31, 1976	964	1,132
Mortgages payable	932	936
Advances from joint venture participants	857	675
Other	111	—
	53,211	56,438
Less current portion	3,098	126
	$50,113	$56,312

(a) The commercial paper issued, bank loans and the loan from parent company were made pursuant to a long term financing plan in connection with the acquisition of Westrans (Note 1). The plan is supported by offers of credit facilities from Canadian and United States banks totalling $30,000,000 (Canadian), reducing to $20,000,000 in 1978, $10,000,000 in 1979 and expiring in 1980, and subject to a standby fee of 3/8 of 1%; and $27,000,000 (U.S.), subject to a standby fee of 1/2 of 1%, of which $19,000,000 is available until varying dates in 1977 and the balance in 1978. Such credit facilities may be reduced at the Company's option on notice not exceeding 30 days. In addition, the Company has the right, on or before the expiration dates, to convert the credit facilities totalling $27,000,000 (U.S.) into term loans repayable by varying dates in 1980 and 1982.

(b) Long term debt repayments for the next six years, assuming all the credit facilities referred to in (a) above are converted to term loans at their respective expiration dates, are: 1977 — $3,098,000; 1978 — $17,257,000 ; 1979 — $18,266,000 ; 1980 — $14,986,000 ; 1981 — $3,220,000 ; and 1982 — $1,701,000.

6. COMMITMENTS, CONTINGENCIES AND DIVIDEND RESTRICTIONS

(a) The annual rental obligations for buildings and equipment under long term leases are: 1977 — $2,130,000 ; 1978 — $1,789,000 ; 1979 — $1,339,000 ; 1980 — $1,041,000 ; 1981 — $877,000 ; and lesser amounts thereafter until 1991. Actual rental expense for 1976 was $2,221,000 and 1975 was $1,252,000.

(b) Contingent liabilities exist for indeterminate amounts of suits, claims and guarantees. In the opinion of the management of the Company, the outcome of these contingencies will not have a materially adverse effect upon the Company's financial position.

(c) The Company is subject to the Canadian Government's anti-inflation legislation which will restrict the maximum amount of dividends which can be paid during the twelve month period ended October 13, 1977.

7. OTHER INFORMATION

(a) Nine persons served as directors of the Company in 1976 (1975 - eight persons) including two who also served as officers, receiving as directors aggregate direct remuneration of: 1976 — $15,500 ; 1975 — $15,000. Twelve persons served as officers during 1976 (1975 - ten persons), including the two referred to above, receiving as officers aggregate remuneration of: 1976 — $498,000 ; 1975 — $353,000.

(b) The Company through formal pension plans and coal union health and retirement benefit plans provides for pensions for substantially all employees. Costs for such plans which are funded as accrued were: 1976 — $1,444,000; 1975 — $1,155,000. The plans are fully funded.

(c) Foreign exchange gains and losses included in administrative expenses are: 1976 — gains $91,000 ; 1975 — losses $393,000.

(d) Replacement Cost Information (unaudited) — The U.S. Securities and Exchange Commission requires that information be disclosed regarding the replacement cost of certain of the Company's assets. Mineral resource assets, which represent the majority of the Company's assets, are currently exempted from these requirements. Information in respect of the few Company assets not exempted is summarized below. Replacement cost has been determined on what management believes to be a reasonable basis and represents the estimated cost that would be incurred if such assets were replaced at December 31, 1976. Depreciation based on replacement cost has been calculated on a straight line method using the same estimates of useful life utilized in preparing the historical cost financial statements.

	Replacement cost	Historical cost
	(thousands)	
Office building	$17,500	$ 8,753
Other	4,635	2,835
	22,135	11,588
Less accumulated depreciation	7,387	4,080
	$14,748	$ 7,508
1976 depreciation expense	$ 1,088	$ 576

AUDITORS' REPORT

The Shareholders,
Aquitaine Company of Canada Ltd.

We have examined the consolidated balance sheet of Aquitaine Company of Canada Ltd. as at December 31, 1976 and 1975 and the consolidated statements of net earnings, retained earnings and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at December 31, 1976 and 1975 and the results of its operations and the changes in its financial position for the years then ended in accordance with generally accepted accounting principles applied on a consistent basis.

Touche Ross & Co.

Calgary, Alberta
February 16, 1977
(March 28, 1977 as to Note 3)

TOUCHE ROSS & CO.
Chartered Accountants

CHANGES IN CONSOLIDATED FINANCIAL POSITION

INCEPTION TO DECEMBER 31, 1976
AMOUNTS IN THOUSANDS OF DOLLARS

INCREASES

DEFERRED PRODUCTION INCOME AND REPAYMENTS $59,619	8%
LONG TERM DEBT $128,183	18%
ADVANCE FROM PARENT $31,977	4%
SALE OF SHARES $131,588	18%
DISPOSALS OF PROPERTIES, PLANT AND EQUIPMENT, AND OTHER $25,567	4%
FUNDS FROM OPERATIONS $338,021	48%

DECREASES

DEFERRED PRODUCTION INCOME AND REPAYMENTS $59,861	8%
LONG TERM DEBT REPAYMENT $86,818	12%
INCREASE IN WORKING CAPITAL $24,880	3%
ACQUISITION OF OTHER COMPANIES $77,336	11%
DIVIDENDS $25,784	4%
OTHER CAPITAL EXPENDITURES $185,686	26%
REPAYMENT OF ADVANCE FROM PARENT $31,977	4%
EXPLORATION $222,613	32%

Operations

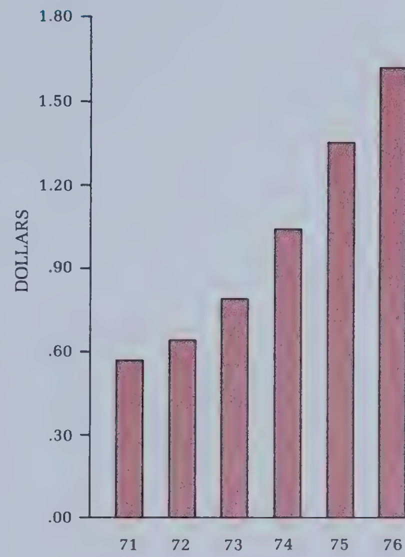
During 1976 net earnings increased to $34,061,000, up 22% from $27,876,000 in 1975. Net earnings per share, based on the average number of shares outstanding during the period, were $1.62 in 1976 compared with $1.35 in 1975.

As had been the case the previous year, increases in earnings were due primarily to higher prices for oil and gas. The average price received by the Company for its oil in 1976, reflecting a price change in July, was $8.38 per barrel compared with $7.08 in 1975. The current wellhead price, effective January 1, 1977 is $9.59 per barrel. Natural gas prices increased during the year to bring the 1976 average to 96¢ per Mcf for the Company compared to an average of 44¢ in 1975. Current price for the Company's Ram River gas is 99¢ per Mcf, effective January 1, 1977. These price adjustments are in accordance with the Canadian government policy of allowing the price of oil to rise gradually to international levels and the price of gas to reflect its commodity value in relation to oil. International commodity prices have not yet been achieved and accordingly further increases are anticipated, although timing and amount are uncertain.

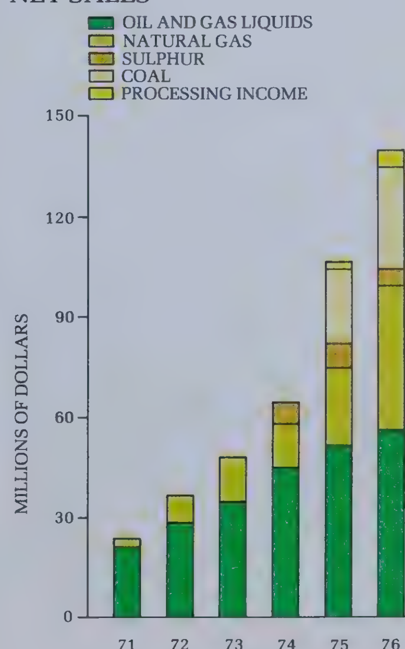
The improved prices were partially offset by a 5% reduction in the volume of the Company's oil sales, which have been affected by restrictions which were introduced in 1974 on Canadian oil exports to the U.S. The pipeline from Sarnia to the Montreal area was completed during 1976 but sales in that market will replace only a part of the lost exports.

Total volume of natural gas sold by the Company decreased by 3%, mainly because the Company sold its Beacon Hill field effective July 1, 1976. Sales of gas from other areas, principally Strachan-Ricinus, increased slightly.

NET EARNINGS PER SHARE



NET SALES



The loss of gas production experienced in 1975 due to extended plant turnaround time and mechanical difficulties did not recur in 1976. Compression facilites installed at the Ram River plant improved deliverability from the Strachan field and offset declining reservoir pressure which had restricted production from that field in 1975.

Gas sales revenue in 1976 includes \$2.6 million received from processing gas for other companies through Aquitaine's share of the capacity of the Ram River plant, thus more fully utilizing the Company's substantial investment in this facility.

Royalties paid by the Company to governments on oil averaged 42% as against 40% in 1975. Royalties on gas increased sharply, averaging 30% compared with 20% in 1975.

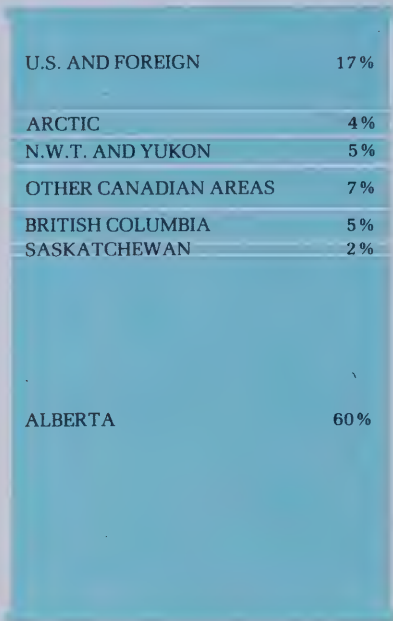
Sulphur markets continued to be very unstable. Prices declined by 39% from 1975 levels. The Company's sales volumes, which in 1975 had suffered a 40% drop from 1974, recovered somewhat, showing a 13% increase over 1975.

Coal sales reported for the 1975 period include only the ten months subsequent to the acquisition of the Company's coal subsidiary. On a twelve month basis, coal sales tonnage increased by 13% over 1975. Average sales prices remained approximately the same over the two years, softening slightly in 1976.

The Company sold its U.S. subsidiaries, Westrans Petroleum Inc. and Western Transmission Company, and the petroleum interests of its subsidiary Westrans Exploration (Philippines) Inc., all of which were part of the Westrans acquisition in 1975. These subsidiaries added little to the Company's earnings and diverted capital and personnel needed for the expansion of coal operations. The Company purchased Elf Oil Exploration and Production Canada Ltd. which holds exploratory acreage in Northern Canada. The effect of these transactions on 1976 operations was not material.

TOTAL CAPITAL EXPENDITURES TO DATE

TOTAL \$408,299,000



TOTAL EXPLORATION EXPENDITURES TO DATE

(Including Land Acquisitions and Rentals)

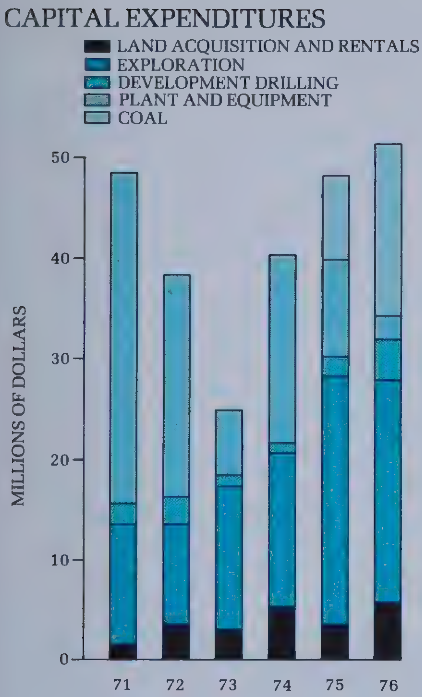
TOTAL \$222,613,000

Operating expenses increased in respect of all products in 1976. The increases at Rainbow were due to more stringent environmental requirements, higher waste water disposal costs, more well workovers required to maintain production, ageing of facilities, increases in wages and salaries, and higher repair and maintenance costs. Operating costs at Ram River rose because of the addition of sulphur handling facilities in late 1975. The increase in operating expenses from 1974 to 1975 had been due primarily to inflation, wage and salary increases and the inclusion of oil and gas operations of Westrans from March 1975. Coal operating expenses include twelve months operation in 1976 as compared with ten months in 1975 and also reflect a higher rate of production.

Administrative expenses increased in 1975 and 1976 reflecting wage and salary increases and inflation, and for 1976, the inclusion of a full year's administration in respect of coal operations.

Interest expense was higher in 1976 as borrowings in connection with the Westrans acquisition, which accounted for the substantial increase in interest expense last year, remained outstanding for the entire year as against only a portion of 1975.

When accounting for foreign exchange the Company follows the practice laid down by the Financial Accounting Standards Board. In the case of long term debt, the practice as applied to the Company requires that debt payable in U.S. currency be converted to Canadian dollars at the exchange rate in effect at the end of the period. Gains or losses therefore appear from period to period dependding on variations in exchange rates. The effect on 1976 net earnings of following this practice was slight, although very material fluctuations occurring during the year distorted the quarterly results. The net foreign exchange gains were \$91,000 in 1976 compared with a loss of \$393,000 in 1975.



In 1975 depreciation had increased substantially as a result of the Westrans acquisition. Depreciation and depletion which for oil and gas properties are based on the full cost unit of production method of accounting, changed only slightly, the effect of lower production having been nullified by higher unit costs for exploration and additional investments in plant and equipment. In 1976 depreciation and depletion rose very little while amortization increased substantially upon the abandonment of a number of mining prospects.

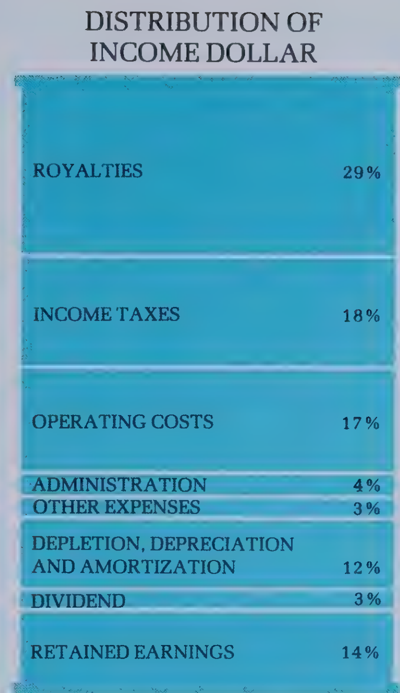
Income taxes for 1976 were considerably higher than in 1975 reflecting the increased earnings of the Company and the effect of changes in federal tax legislation which came into force on January 1, 1976. Additionally, as was the case in 1975, the Company's federal income tax liability is aggravated by the imputation, as income to the Company, of royalties paid to provincial governments. The effect of such imputation is only partially offset by provincial rebates and the federal resource allowance.

Capital expenditures

Total capital expenditures during the year were $51,531,000, an increase of 7% over 1975. Of this amount, $17,233,000 was spent on coal properties and facilities, chiefly for cleaning plant equipment at one mine to increase production of metallurgical grade coal, and construction of a new cleaning plant at another mine. Capital expenditures on oil and gas exploration, including land acquisition and rentals, were at the same level as 1975. Capital expenditures on oil and gas plant and equipment declined to $2,249,000 from the 1975 figure of $9,565,000 which included completion of the sulphur handling facility at Ram River.

The accompanying table relates to the Company's two main lines of activity. Earnings from oil and gas (including sulphur) derive primarily from operations in Canada. All of the Company's coal activities are in the U.S. and commenced with the acquisition of Westrans Industries, Inc. in March 1975. Prior to that time, the Company's net earnings were entirely from oil and gas operations.

	1976	1975
	(thousands)	
Gross Revenue		
Oil and gas	$111,297	$ 85,674
Coal	30,477	22,666
Mining	—	—
	$141,774	$108,340
Operating profit (loss)		
Oil and gas	$ 72,244	$ 48,853
Coal	3,028	2,082
Mining	(1,840)	(686)
	73,432	50,249
Add (deduct):		
Equity in earnings of Rainbow Pipe Line Company Ltd.	1,918	1,767
General corporate expenses	(147)	(98)
Interest expense	(4,305)	(3,865)
Earnings before income taxes	70,898	48,053
Income taxes	36,837	20,177
Net earnings	$ 34,061	$ 27,876



Information on Voting Shares

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Market price per share				
1976 High	$$23\frac{1}{4}$	$24	$$21\frac{5}{8}$	$$17\frac{3}{4}$
Low	$17\frac{3}{4}$	$20\frac{1}{4}$	$15\frac{1}{2}$	$14\frac{1}{2}$
1975 High	$19\frac{3}{4}$	$25\frac{1}{4}$	25	23
Low	$12\frac{1}{2}$	$16\frac{3}{4}$	$18\frac{3}{4}$	$17\frac{1}{4}$
Dividend per share				
1976	—	30¢	—	—
1975	—	30¢	—	—

The shares are listed on the Toronto, Montreal and American Stock Exchanges. The Toronto Stock Exchange accounts for the principal market for the Company's shares, and the market prices above are those reported by that exchange.

Quarterly Earnings Information (unaudited)
(in thousands of dollars except per share amounts)

	1st Quarter		2nd Quarter		3rd Quarter		4th Quarter	
	1976	1975	1976	1975	1976	1975	1976	1975
Sales and other income	$33,452	$22,945	$30,024	$24,935	$36,094	$27,481	$44,122	$34,746
Operating, administrative, interest and other expenses	10,199	5,331	11,432	11,558	11,763	10,841	14,155	10,719
Depletion, depreciation and amortization	6,484	4,953	6,195	4,405	6,876	5,173	5,690	9,074
Income taxes	7,059	4,226	5,489	4,376	9,644	4,883	14,645	6,692
Net earnings	$ 9,710	$ 8,435	$ 6,908	$ 4,596	$ 7,811	$ 6,584	$ 9,632	$ 8,261
Net earnings per share	$0.47	$0.41	$0.34	$0.22	$0.36	$0.32	$0.45	$0.40

TEN YEAR SUMMARY OF FINANCIAL AND OPERATING DATA

FINANCIAL

(in thousands of dollars
except per share amounts)

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
EARNINGS AND DIVIDENDS										
Sales and other income	143,692	110,107	70,044	53,317	40,600	27,263	26,709	21,202	14,422	10,246
Operating, administrative, interest and other expenses	47,549	38,449	12,687	10,456	9,421	4,519	6,614	6,685	5,971	4,319
Depletion, depreciation and amortization	25,245	23,605	20,609	19,521	12,242	5,566	4,501	2,944	1,799	1,014
Extraordinary gain	—	—	—	—	—	—	1,341	815	—	—
Earnings before income taxes	70,898	48,053	36,748	23,340	18,937	17,178	16,935	12,388	6,652	4,913
Income Taxes										
Current	26,879	14,640	—	—	—	—	—	—	—	—
Deferred	9,958	5,537	15,296	7,000	5,720	5,400	4,870	3,569	2,000	1,529
Net earnings	34,061	27,876	21,452	16,340	13,217	11,778	12,065	8,819	4,652	3,384
Per share	1.62	1.35	1.04	.79	.64	.57	.58	.45	.29	.22
Dividends	6,188	6,188	6,188	4,126	3,094	—	—	—	—	—
Per share	.30	.30	.30	.20	.15	—	—	—	—	—
Funds from operations	69,765	57,018	57,357	42,861	31,179	22,744	20,095	14,517	8,451	5,927
Per share	3.32	2.76	2.78	2.08	1.51	1.10	.97	.75	.53	.39
FINANCIAL POSITION										
Working capital	24,880	6,757	18,689	14,350	9,996	28,598	24,278	55,928	17,666	1,608
Investments and other assets	7,227	3,621	3,986	3,575	5,955	5,840	5,532	4,797	1,723	4,116
Property, plant and equipment - net	342,483	326,507	237,455	217,551	213,314	188,456	145,513	118,435	86,850	63,082
Deferred income	—	14,852	23,252	29,026	42,059	51,791	21,232	5,723	—	—
Deferred income taxes	64,578	54,620	45,846	30,550	23,550	17,830	12,430	7,560	3,991	1,991
Long term debt	50,113	56,312	1,619	1,751	1,777	1,704	1,787	38,003	44,371	57,362
Shareholders' equity	259,899	211,101	189,413	174,149	161,879	151,569	139,874	127,874	57,877	9,453
CAPITAL EXPENDITURES										
Oil, gas and mining										
Land acquisition and rentals	5,868	3,752	6,285	3,021	3,760	1,683	3,041	15,479	4,092	7,241
Exploration	22,220	24,595	14,420	14,294	9,914	11,969	14,623	11,619	9,822	7,985
Development drilling	3,961	1,948	1,054	987	2,597	2,005	5,010	629	967	1,753
Plant and equipment	2,249	9,565	18,699	6,592	22,173	32,694	8,472	1,902	6,891	5,893
Office building	—	—	—	1	1	177	355	4,680	3,539	—
Coal	17,233	8,430	—	—	—	—	—	—	—	—

OPERATING

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
Oil and gas liquids production										
Net after royalties										
Barrels per day	18,192	19,844	22,863	31,603	27,374	22,338	20,948	17,445	13,992	10,763
Gas sales										
Net after royalties										
Mcf per day	124,681	149,710	175,641	197,056	136,015	29,022	21,099	10,178	9,849	6,740
Sulphur										
Production										
Long tons	982,994	878,931	975,657	1,012,830	472,099	26,817	25,298	24,680	18,986	13,886
Sales - net after royalties										
Long tons	272,723	243,671	433,756	131,055	73,162	7,095	7,676	18,792	6,529	11,244
Coal sales										
Short tons	1,376,118	998,088	—	—	—	—	—	—	—	—

NET ACREAGE HOLDINGS

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
December 31 (thousands of acres)	36,259	20,624	26,500	29,060	34,141	39,549	46,586	44,889	32,519	6,328
NUMBER OF EMPLOYEES	802	751	354	348	350	335	272	270	282	274

WELL DRILLING RECORD — 1976

	Cost %	Aquitaine Share of Land after Drilling %	Total Depth	Status at year-end
***AQUITAINE OPERATED EXPLORATORY WELLS**				
Alberta				
Aquit et al Owl River 1-24-45-16 W5M	25	62.5	16,150'	Suspended Gas Well
Aquit et al Strachan 7-13-37-10 W5M	50	50	9,729'	Abandoned
Aquit Stolberg 6-14-41-14 W5M	100	40	13,094'	Gas Well
Aquit Mobil Rainbow 7-29-109-7 W6M	50	50	1,446'	Suspended Gas Well
Aquit Mobil Rainbow 6-13-109-8 W6M	50	50	1,455'	Suspended Gas Well
Aquit et al Bison 6-27-95-15 W5M	40.1	53.5	4,810'	Abandoned
Aquit Ricinus 8-32-36-9 W5M	100	100	9,560'	Oil Well
Northwest Territories				
Elf et al Dyer Bay L-49 76°08' N 121°48' W	65	67.5	10,405'	Abandoned
Montana				
Al-Aquit CIGE BN #1 Sec. 5-1S-44E	25	25	3,320'	Abandoned
Al-Aquit CIGE BN #1 Sec. 33-1N-49E	25	25	3,170'	Abandoned
Al-Aquit Dangler #1 Sec. 23-3N-32E	100	100	2,425'	Abandoned
North Dakota				
Al-Aquit et al 27-139-100 Patrikus #1 (Billings)	50	50	9,375'	Oil Well
***AQUITAINE OPERATED DEVELOPMENT WELLS**				
Alberta				
Aquit Jeffrey 7-8-59-24 W4M	100	100	3,154'	Gas Well
Aquit et al Rains 8-2-108 W6M	29.5	29.5	6,280'	Gas Well
Aquit et al Rains 11-32-107-9 W6M	16.1	16.1	6,560'	Gas Well
Aquit Cree Bearcat Stol 10-11-41-14 W5M	80	40	13,455'	W.O. Completion
Aquit Mobil Tehze 16-22-108-9 W6M	50	50	6,650'	Oil Well
Aquit Rain 14-29-109-8 W6M	100	50	6,650'	Oil Well
Aquit Mobil Tehze 7-27-108-9 W6M	50	50	6,637'	Potential Oil Well
***NON-OPERATED EXPLORATORY WELLS**				
Alberta				
Murphy Aquit Davey 7-29-34-27 W4M	25	25	3,825'	Gas Well
Canhunter Karr 10-14-65-3 W6M	9.3	9.3	8,135'	Shut-In Gas Well
PCP et al Killam 7-23-41-13 W4M	22.3	22.3	3,340'	Gas Well
Decalta et al Wimborne 6-30-35-26 W4M	8.3	8.3	3,658'	Abandoned
Canhunter GIM Karr 11-36-64-2 W6M	8.5	8.5	7,930'	Potential Gas Well
Canhunter et al Karr 10-22-64-1 W6M	9.3	9.3	8,425'	Abandoned
Offshore Beaufort Sea				
Dome Gulf et al Tingmiark K-91 70°10' N 132°58' W	Nil	39.6	10,010'	Suspended
Offshore Labrador				
Eastcan et al Cabot G-91 59°50' N 61°43' W	13.3	13.3	951'	Abandoned
Eastcan et al Snorri J-90 57°19' N 59°57' W	13.3	13.3	10,531'	Tight
Eastcan et al Herjolf M-92 55°31' N 57°44' W	13.3	13.3	13,405'	Tight
Eastcan et al Verrazano L-77 52°26' N 54°11' W	13.3	13.3	1,509'	Suspended
Eastcan et al Karlsefni A-13 58°52' N 61°46' W	13.3	13.3	13,612'	Tight
Offshore Greenland				
T.G.A. GREPCO Kangamiut 66°09' N 56°11'W	29.1	29.1	12,707'	Tight
Montana				
Highland Res. Mathers #1 Sec. 21-11N-45E	12.5	12.5	9,066'	Abandoned
CIGE Al-Aquit Mont. State #1 Sec. 36-5N-20E	25	25	3,550'	Abandoned
GPE Al-Aquit BN#1 Sec. 21-22N-48E	60	50	10,100'	Abandoned
Petro Lewis State #16-36 Sec. 36-12N-32E	12.5	12.5	5,735'	Oil Well
CIGE Al-Aquit BN #1 Sec. 31-10N-17E	25	25	8,000'	Abandoned
True Consol. State 42-20 Sec. 20-28N-56E	19.7	9.9	12,090'	Oil Well
Terrapet Wittenbel #1 Sec. 4-30N-56E	40	20	11,827'	Abandoned
Skelly Ebeling #1 Sec. 13-6S-41E	25	25	7,334'	Abandoned
Skelly Shober #1 Sec. 7-6S-52E	25	25	5,806'	Abandoned
Wyoming				
Tepee Mountain Unit II #1 Sec. 17-12N-104W	8.1	8.1	16,097'	Abandoned
***NON-OPERATED DEVELOPMENT WELLS**				
Alberta				
Brascan et al CallW 6-13-71-20 W4M	25	25	1,787'	Abandoned
Montana				
GPE Al-Aquit 71 Ranch #2 Sec. 26-13N-33E	25	25	5,071'	Abandoned
GPE Al-Aquit Clesson #1 Sec. 34-13N-33E	16.6	16.6	5,020'	Oil Well
CIGE Al-Aquit Millar #1 Sec. 20-4N-20E	25	25	3,050'	Abandoned
Kewanee BN "C" OJI #1 Sec. 11-22N-47E	12.5	12.5	6,447'	Abandoned
Pennzoil D. J. Lewis #1 Sec. 15-25N-57E	2.3	2.3	12,850'	Abandoned
Oklahoma				
Jet Hentges #1 Sec. 26-21N-2W	37.5	37.5	4,830'	Gas Well

Gross Overriding Royalty Wells

In addition, Aquitaine had a gross overriding royalty interest in 32 wells, drilled at no cost to the company. Of these, 2 wells in British Columbia, averaging 7076 feet in depth, were abandoned. In Alberta, the drilling of 12 wells, averaging 1835 feet, resulted in 10 gaswells, 1 abandoned well and 1 well suspended at years end. In Montana, the drilling of 17 wells averaging 5376 feet in depth, resulted in 6 oilwells, 10 abandonments and 1 well shut-in as a potential gaswell at years end. The drilling of 1 well in the State of Colorado resulted in a gaswell at a depth of 3250 feet.

Unit Wells

In other 1976 drilling, Aquitaine had a 2.4% interest in 1 unit well (gas), a 7.4% interest in 4 unit wells (oil) and a 15.3% interest in 4 unit wells (gas), all in the Province of Alberta.

ACREAGE HOLDINGS

	1976		1975	
	(Thousands of Acres)			
	Gross	Net	Gross	Net
OIL AND GAS LEASES				
British Columbia	443	209	398	157
Alberta	1,535	652	1,420	604
Saskatchewan	103	17	330	198
Northwest Territories	561	529	324	314
East Coast Offshore	80	62	—	—
Alaska	26	5	26	5
Colorado	—	—	16	14
Kansas	—	—	23	20
Montana	1,090	366	870	313
North Dakota	64	41	53	37
Oklahoma	—	—	29	10
South Dakota	1	1	9	4
West Virginia	—	—	23	22
Wyoming	20	6	210	69
Miscellaneous	—	—	14	9
OIL AND GAS RESERVATIONS, PERMITS, LICENSES AND CONCESSIONS				
British Columbia	644	331	671	384
Alberta	247	110	268	165
Ontario	—	—	16	4
Northwest Territories	4,373	3,153	2,515	1,967
Beaufort Sea	5,929	2,550	4,738	2,209
Arctic Islands	20,597	16,307	1,393	798
Hudson Bay	7,817	2,248	6,512	1,751
East Coast Offshore	35,178	8,883	36,505	10,232
Nova Scotia	268	105	60	30
Greenland	1,332	388	1,332	389
Philippines	—	—	2,344	447
Bituminous Sands	50	25	50	25
TOTAL OIL AND GAS ACREAGE	80,358	35,988	60,149	20,177
Mineral Permits and claims	267	209	437	371
Geothermal Leases	50	29	46	44
Coal Pennsylvania	33	33	32	32
TOTAL	80,708	36,259	60,664	20,624

PHOTOGRAPHS

1 Mining exploration, Yukon Territory
2 Rig Move, Banks Island
3 Mining Exploration Field Camp, N.W.T.
4 Gas Compressor, Strachan
5 Strip mining, Westover, Pennsylvania
6 Coal cleaning and processing plant under construction, Westover
7 Coal cleaning and load-out facility, Canterbury, Pennsylvania
8 Sunset, Banks Island
9 Ice fishing, Banks Island
10 Musk-oxen, Banks Island
11 Ivory Gull — Seymour Island N.W.T.
12 Sunrise, Rainbow Lake plant
13 Drilling, Stolberg 6-14
14 Landscape east of Coppermine, N.W.T.
15 Waterfall near Bathurst Inlet, N.W.T.
16 Mining Prospect, Bathurst Inlet, N.W.T.

Photo 9 courtesy G. Wolkie. Photo 11 courtesy S. D. MacDonald, National Museum of Natural Sciences, Ottawa. All other photos by Aquitaine employees.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DIRECTORS

WILLIAM D. CLARK
Corporate Vice-President and General Counsel, Aquitaine Company of Canada Ltd., Calgary, Alberta

HAROLD W. MANLEY*
President, Manbar Corporation, and Independent Petroleum, Natural Gas and Sulphur Consultant, Tulsa, Oklahoma

CLAUDE MENETRIER
Exploration and production manager North and South America and Far East Division, Société Nationale Elf Aquitaine (Production) [SNEA(P)], a wholly owned subsidiary of Société Nationale Elf Aquitaine (SNEA), a corporation engaged principally in exploration, production and marketing of oil, gas, chemicals and minerals, Pau, France.

JACQUES PAYAN
President, Aquitaine Company of Canada Ltd., Calgary, Alberta

NEIL F. PHILLIPS*
Partner in the law firm of Phillips & Vineberg, Montreal, Quebec

LOUIS J. PRADAL*
Coordinator for North and South America and South Pacific, SNEA, Pau, France.

MICHEL RAPACCIOLI
Vice-President Finance, Société Métallurgique Le Nickel, a corporation engaged in the production of nickel, Paris, France.

GILBERT RUTMAN
Managing Director Exploration and Production, SNEA, President and Chief Executive Officer, SNEA(P), Paris, France.

GORDON D. WOTHERSPOON*
Chairman of the Board of Directors, Eaton Financial Services Limited, a company providing general financial services, Toronto, Ontario

*Member of the Audit Committee

EXCHANGE LISTINGS

Toronto Stock Exchange
Montreal Stock Exchange
American Stock Exchange

OFFICERS AND KEY PERSONNEL

JACQUES PAYAN
President

WILLIAM D. CLARK
Corporate Vice-President and General Counsel

MICHAEL E. HRISKEVICH
Vice-President, Exploration

JEAN-JACQUES PASCAL
Vice-President, Coal

PIERRE E. GODEC
Treasurer

RONALD C. DOWELL
Secretary

WILLIAM R. PERROTT
Controller

EDMUND P. ABOUSSAFY
Assistant Treasurer

W. STEWART WRIGHT
Assistant Secretary

JACQUES BRANGER
General Manager, Production

ROBERT C. MURRAY
Manager, Marketing

LEWIS C. CAMERON
President, Aquitaine Pennsylvania, Inc.

AUDITORS

Touche Ross & Co.
Calgary, Alberta, Canada

REGISTRARS AND TRANSFER AGENTS

Montreal Trust Company, Calgary, Montreal, Toronto and Vancouver
First National City Bank, New York

Copies of the Company's Annual Report in Form 10-K filed with the Securities and Exchange Commission are available without charge upon request to the Secretary of the Company.

THE COMPANY

Aquitaine Company of Canada Ltd. (Aquitaine) is a public company engaged in exploration for oil and gas and hardrock minerals in Canada and the United States. It produces oil, gas and sulphur in Alberta and coal in Pennsylvania.

The Company was incorporated in 1963. In 1964 it acquired a minority share interest in Banff Oil Ltd., a small Canadian exploration company with whom it then entered into joint oil and gas exploration. The team made its first discovery at Rainbow Lake in northern Alberta in 1965. The discovery developed into a major oilfield, and was followed by major gas discoveries in the Strachan and Ricinus areas of west-central Alberta, in 1968 and 1969.

Incorporated as a wholly owned subsidiary of Société Nationale des Pétroles d'Aquitaine (SNPA) of France, the company went public in 1968. It acquired all of the business and properties of Banff Oil in 1971. In early 1975 it purchased Westrans Industries Inc. (now Aquitaine Pennsylvania, Inc.) a company primarily engaged in coal production in Pennsylvania.

The Company's parent SNPA changed its name to Société Nationale Elf Aquitaine (SNEA) in 1976 as part of a reorganization involving its own parent, Entreprise de Recherches et d'Activités Pétrolières (ERAP), a French agency whose trade name Elf is associated with world wide oil and gas operations. In the same year the Company acquired the Canadian subsidiary of ERAP, Elf Oil Exploration and Production Canada Ltd., which had been one of the earliest oil explorers in northern Canada.

Following the acquisitions and reorganizations mentioned above, the Company's shares are held approximately 4.3% by investors in the United States, 20% by investors in Canada, and 75.7% by SNEA in France. SNEA in turn is owned approximately 75% by ERAP, with the balance very widely held through listing on the Paris and Brussels stock exchanges. The Company's shares are held by approximately 6,900 registered shareholders and are listed on the Montreal, Toronto and American stock exchanges.

Aquitaine has wholly owed subsidiaries engaged in coal mining (Aquitaine Pennsylvania, Inc.), oil and gas exploration, and minor production, in the United States (Al-Aquitaine Exploration Ltd.), and exploration offshore Greenland (Aquitaine Danmark A/S). Aquitaine also owns a one-third interest in Rainbow Pipe Line Company Ltd. which owns the oil pipeline connecting Rainbow Lake and Edmonton.

The Company owns the Aquitaine Tower, a modern 20 storey office building in Calgary where the Company's head office occupies five floors.

In 1976 the Company had gross income of $144 million, funds from operations of $70 million and net earnings after taxes of $34 million. In 1976 it produced and sold, after royalties, 6.6 million barrels of oil and natural gas liquids, 45.6 billion cubic feet of natural gas, 273 thousand long tons of sulphur, and 1.4 million short tons of coal. It has 387 employees in Alberta, 408 in Pennsylvania and 7 in Colorado.

aquitaine

elf

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AQUITAINE COMPANY OF CANADA LTD. 1976 ANNUAL REPORT

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